



California Debt and Investment Advisory Commission



MBIA Insurance Corporation

September 21, 2007

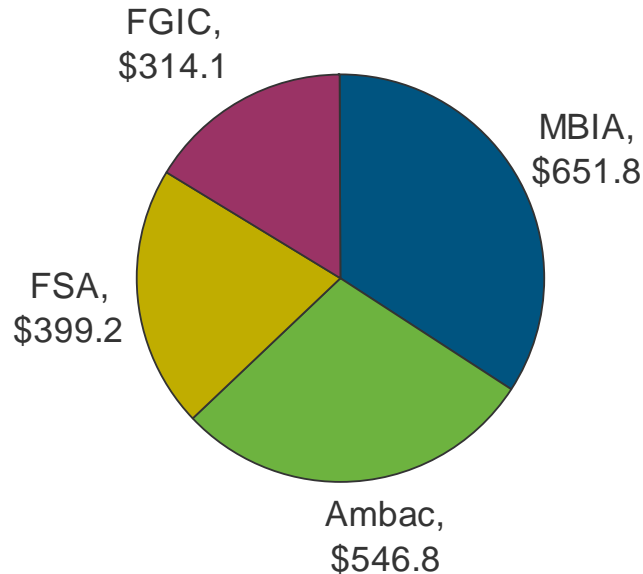
Bond Insurance 101

- Financial guarantees are commonly referred to as bond insurance
- Firms that provide financial guarantees to issuers of municipal bonds are referred to as monoline insurers, meaning that they provide only one type of financial guarantee
- Financial guarantees were first issued in 1971, with MBIA joining the industry in 1974
- Bond insurers are highly regulated and must be licensed in states in which they do business
- There are four prominent, well-established and experienced monolines: MBIA, Ambac, FSA and FGIC
- Several new entrants include CIFG, XL and Assured Guaranty

Monoline Industry Comparison

As of June 30, 2007

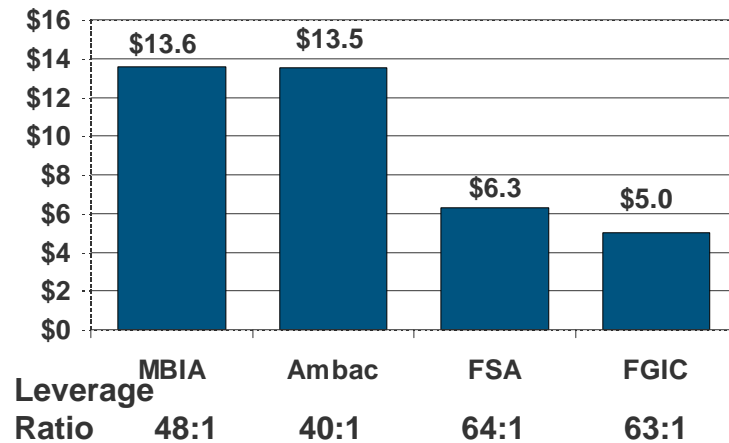
Net Par Outstanding In Billions



Claims-Paying Resources

\$ Billions

(As of June 30, 2007)



Claims Paying Resources: Statutory Capital + Unearned Premium Reserves + PV of Installment Premiums + Loss Reserves + Soft Capital Facilities

Leverage Ratio: Net Par Outstanding ÷ Claims-Paying Resources

Financial Guarantee Overview

- Purchasing a financial guarantee provides an unconditional and irrevocable guarantee of payment of principal and interest when due
- Purchasing a financial guarantee (bond insurance policy) from one of the Triple-A-rated monolines provides a Triple-A rating for a bond issue
- Investors rely on the rating of the bond insurer when deciding to buy bonds when issued

Benefits to Investors of Insured Bonds

- Virtually eliminates credit losses and downgrade risk
- Ensures payment of principal and interest when due
- Improves liquidity and price stability
- Provides surveillance and management of the underlying credit risk
- Two-name paper diversifies investment, allowing investors to change risk category, especially on names where investors may have large concentrations with large issuers
 - investors benefit from the credit strength of the underlying credit and the Triple-A guarantee

Benefits to Issuers

Bond Insurance

- Reduces cost of financing to the Triple-A trading level
- Provides greater access to a wide range of investors in the capital markets, expanding financing possibilities
- Enables more challenging credits to gain access to the capital markets because we understand and can execute for complex credits
- Offers sophisticated one-on-one credit management for the life of the deal.

Monoline Ratings

- Monolines are rated, just like your bonds, for likely risk of being unable to pay their obligations
- Triple-A is the highest rating available and indicates that the level of risk is the lowest possible
- The risk of a municipal issuer's not making principal and interest payments on their bonds is very small, but insurers are held to high regulatory and rating agency standards to cover these potential losses

Overview of Issuer Economics

XYZ City, State, \$50 Million General Obligation Bonds, 30-year final maturity assuming level debt service

	Uninsured	MBIA-Insured
Credit Rating	A2/A	Aaa/AAA
Coupon Rate	4.6%	4.4%
Debt Service	\$92,675,000	\$90,943,000
Insured Savings	\$0	\$1,732,000
P.V. Insurance Savings	-0-	\$977,400
Up-front Premium	-0-	(\$232,000)
Net Savings to Issuer	-0-	\$745,400

Rating Agency Rationale

Triple-A Attributes*

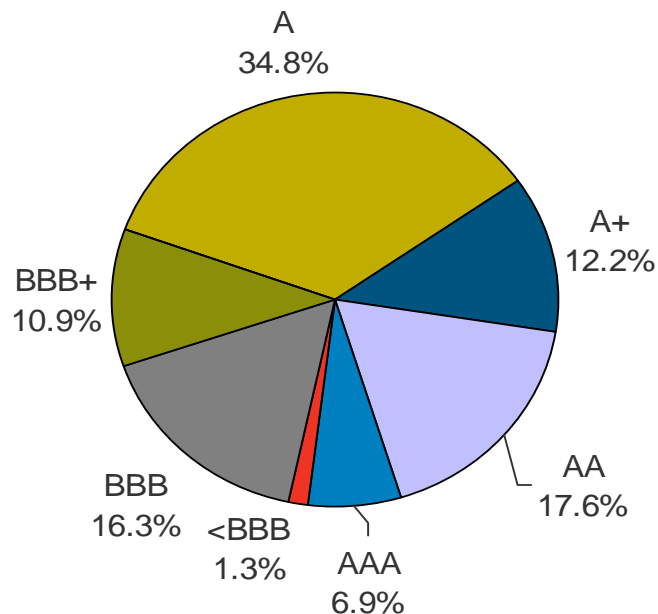
- Conservative credit standards
- Portfolio diversity
- Strong capital base
- High quality investments
- Stable profitability
- Highly experienced management

* Monolines need to be strong in each of these categories

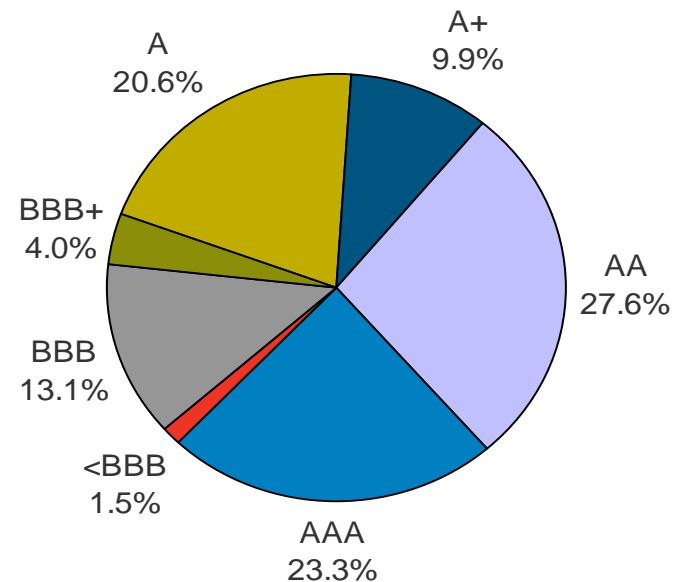
Insured Portfolio - Credit Quality Distribution

MBIA's Net Par Outstanding

December 31, 1999
\$384 Billion
71.5% Rated A or Better



June 30, 2007
\$651.792 Billion
81.4% Rated A or Better



All ratings current: Ratings derived using S&P Priority Method. If not rated by S&P, Moody's equivalent used. If not rated by either, MBIA equivalent rating used.

MBIA Insurance Corporation

MBIA Loss History

Inception to June 30, 2007

Issues insured	Over 93,000
Debt Service	
Insured from Inception	\$ 2.3 Trillion
Aggregate Case Incurred Losses*	\$906 Million
Case Loss Reserves	\$269 Million
Estimated Salvage	\$173 Million
Net Paid Losses	\$810 Million
Losses Equal to 0.04% of Insured Debt Service Since Inception	

* Aggregate Case Incurred Losses = Case Loss Reserves – Estimated Salvage + Net Paid Losses

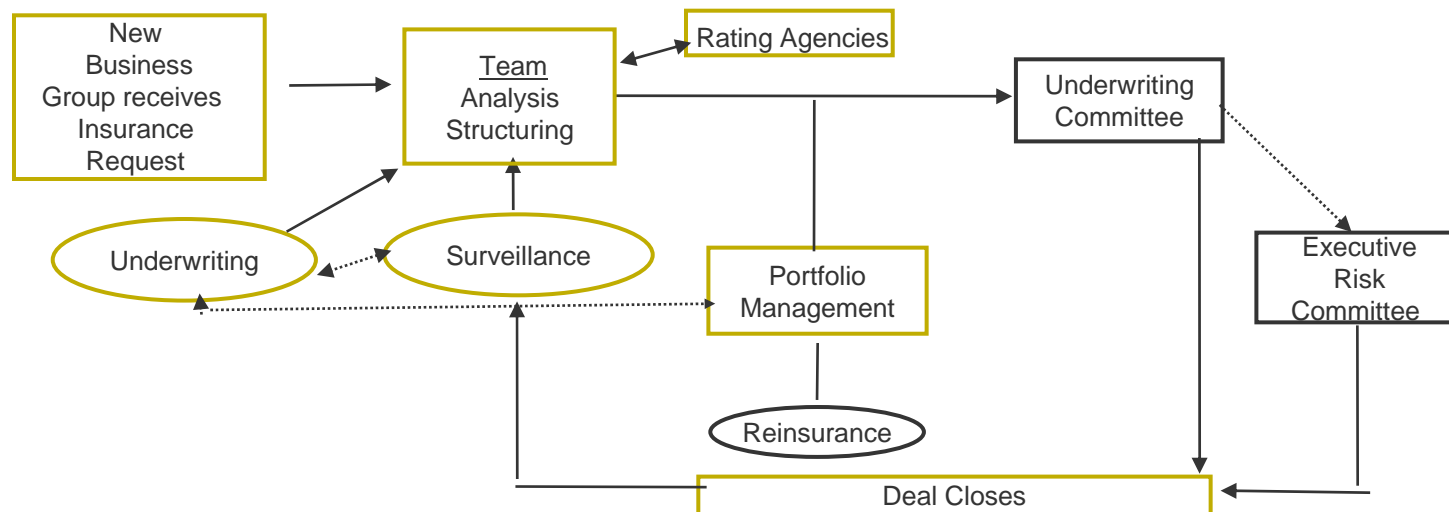
In over 33 years, MBIA has lost only 4 bps on total debt service insured. This actual history is far better than the theoretical loss scenarios used by the rating agencies for a number of reasons:

- MBIA is more selective than the universe of investment grade transactions
- MBIA has strong structuring and legal expertise enabling it to underwrite more successful transactions
- MBIA's surveillance department has the team of analysts to review the portfolio and work-out problem credits.

Underwriting Process

- Process similar to rating agencies
- Zero-loss underwriting standard
- Internal ratings relate to risk and pricing

Underwriting Process



General Underwriting Criteria

Need to determine where payment of debt service will come from, what level of reserves are adequate, how stable and predictable those revenues are and any political or economic trends that could interfere with timely payment of debt service

- GO Bonds – Tax base, underlying economy, population trends, income levels
- Leases – Similar to GOs, but additionally, value and essentiality of assets, source of payments, subject to abatement or appropriation
- Revenue Bonds – Source of revenue, ability to raise rates or fees to assure adequacy of revenue, potential competition or volatility of revenue source

Safe Harbor Disclosure

This presentation contains forward-looking statements. Important factors such as general market conditions and the competitive environment could cause actual results to differ materially from those projected in these forward-looking statements. Risk factors are detailed in our 10K, which is available on our website, www.mbia.com. The company undertakes no obligation to revise or update any forward-looking statements to reflect changes in events or expectations.

